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Improving the financial situation of the United Nations

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Report of the Secretary-General

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/64/497/Add.1). It also provides a review of the Organization's financial situation as at 5 October 2010 and updated projections to 31 December 2010.

The report considers four main financial indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States. At 5 October 2010, assessments issued during 2010 were lower than at 31 December 2009 for the regular budget and the international tribunals, but higher for peacekeeping funds. Assessments for the capital master plan were maintained at the same annual level. Unpaid assessments as at 5 October 2010 were higher than as at 31 December 2009 for all categories.

Payments of troop and equipment obligations were broadly current for all active missions. Further, amounts owed to troop and equipment providers at 31 December 2010 are expected to be lower than the projection made in May and about $345 million below the amount owed as at 31 December 2009.

Cash positions are projected to be positive at year-end for all funds, although the final outcome will be dependant on last-quarter contributions. Unpaid assessments remain highly concentrated among a few Member States, particularly for the regular budget, the international tribunals and the capital master plan. Consequently, the final outcome for 2010 will depend in large measure on the payments that those Member States make in the final months of 2010. The only way to overcome this problem and to ensure a more stable financial base for the work of the United Nations is for Member States to meet their financial obligations to the Organization in a fuller and more timely fashion.

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I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/64/497/Add.1). It also provides a review of the Organization's financial situation as at 5 October 2010 and updated projections to 31 December 2010.

2. The picture that the information presents for 2010 is generally mixed, with improvement in some areas.

3. The financial strength of the United Nations has traditionally been measured by four main indicators: assessments issued; unpaid assessed contributions; available cash resources; and the Organization's outstanding debt to Member States.

II. Review of the financial situation as at 5 October 2010

4. A review of the financial situation shows decreases in the level of assessments for the regular budget (from $2,499 million at 31 December 2009 to $2,167 million at 5 October 2010) and the international tribunals (from $348 million at 31 December 2009 to $256 million at 5 October 2010). The level of assessments for peacekeeping increased (from $5,765 million to $9,510 million), while that for the capital master plan remained fixed at $341 million (based on the multi-year payments system). As at 5 October 2010, unpaid assessments were higher than at the end of 2009 for all categories.

A. Regular budget

5. Both assessments and payments were lower in 2010 than in 2009, by $332 million and $371 million respectively. Unpaid assessed contributions were also lower, by $43 million, at $787 million on 5 October 2010 compared with $830 million on 13 October 2009.

6. The number of Member States that had paid their regular budget assessments in full by 5 October 2010 was 119, 1 less than at 13 October 2009. The corresponding figure for 31 December 2009 was 136. The Secretary-General wishes to thank the 119 Member States that had honoured their obligations for the regular budget in full by 5 October 2010 and urges other Member States to follow their example.

7. Of the $787 million that remained outstanding at 5 October 2010, 88 per cent was owed by a single Member State, 9 per cent by four other Member States and 3 per cent by the remaining Member States. Clearly, the final picture for 2010 will largely depend on the action taken by those countries in the coming few weeks.

8. Cash resources for the regular budget comprise the General Fund, to which assessed contributions are paid, the Working Capital Fund, presently approved at the level of $150 million by the General Assembly, and the Special Account. The regular budget cash balance at the end of 2010 is projected to be lower than at the end of 2009. However, the final position will depend in large measure on the action to be taken by the Member States referred to above.

B. Peacekeeping operations

9. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June instead of from 1 January to 31 December, assessments are issued separately for each operation and, since assessments can currently be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. A comparison between the financial situation of peacekeeping operations and that of the regular budget and the international tribunals is complicated by all of these factors.

10. The total amount outstanding for peacekeeping operations as at 5 October 2010 was $3.2 billion. This is approximately $1.3 billion higher than at the end of 2009 and is $1.1 billion above the level at 13 October 2009. The $3.2 billion outstanding as at 5 October 2010 includes assessments for the United Nations Mission in Liberia (UNMIL) of approximately $408 million, which were issued recently, on 29 September 2010, and are still within the 30-day due period. The higher level of unpaid peacekeeping assessments is also partly related to the higher level of assessments in 2010, amounting to $9.5 billion as compared with $5.7 billion in 2009. Notably, peacekeeping assessments for the last half of the fiscal year 2009/10 could be issued only in January 2010 after the General Assembly's decision on the new rates of assessment in December 2009.

11. Unpaid peacekeeping assessments are not as heavily concentrated as other categories. However, 34 per cent of the $3.2 billion in unpaid peacekeeping assessments as at 5 October 2010 was from just two Member States, and another 41 per cent was from seven other Member States.

12. At 5 October 2010, 11 Member States had paid all peacekeeping assessments that were then outstanding, due and payable, namely: Australia, Azerbaijan, Canada, Chad, the Democratic Republic of the Congo, Denmark, Germany, Liechtenstein, South Africa, Switzerland and the United Republic of Tanzania. Subsequently, the Netherlands and Singapore paid all peacekeeping assessed contributions that were currently due and payable. Other Member States are urged to follow the example of those States.

13. The cash balance in peacekeeping accounts as at 5 October 2010 was about $4.5 billion. This amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund. However, there are restrictions on the use of those resources. In its resolutions on the financing of peacekeeping operations, the General Assembly routinely specifies that no peacekeeping mission shall be financed by borrowing from other active missions. In addition, the terms of reference of the Peacekeeping Reserve Fund restrict its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations is currently available for cross-borrowing. At 5 October 2010, cash in the accounts of active missions totalled approximately $3.9 billion, the Peacekeeping Reserve Fund had $141 million and the accounts of closed missions had $433 million.

14. Based on information currently available, it is expected that total cash available in peacekeeping accounts at the end of 2010 will be reduced to $3.4 billion, with approximately $2.8 billion in the accounts of active missions,

$435 million in the accounts of closed missions and $141 million in the Peacekeeping Reserve Fund. These estimates are based on projected receipts and disbursements.

15. Of the $435 million expected to be available in the accounts of closed peacekeeping operations at the end of 2010, $192 million is set aside for amounts to be paid for outstanding liabilities, such as troop and equipment payments and credits to be returned to individual Member States. This leaves only $243 million available for possible cross-borrowing by both active peacekeeping operations and other accounts, including the regular budget and the international tribunals. With increased liquidity in peacekeeping missions, the need for such cross-borrowing in recent years has declined, although this trend could also reverse, given the inherent unpredictability of receipts. Cross-borrowing of a total of $148 million was required in 2008 for seven active operations. In 2009, cross-borrowing in the amount of $49 million was required for four active missions: the United Nations Observer Mission in Georgia, the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Operation in Côte d'Ivoire and the United Nations Integrated Mission in Timor-Leste (UNMIT). So far in 2010, cross-borrowing from the accounts of peacekeeping operations has been required for two active missions, MINURSO and UNMIT, for a total of $29 million.

C. International tribunals

16. The financial position of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia improved slightly in 2010. Assessments in 2010 are lower than those in 2009, and the amount outstanding is lower by $13 million.

17. The number of Member States paying their assessed contributions for both international tribunals in full by 5 October 2010 was 88, five more than by 13 October 2009. The Secretary-General wishes to express his appreciation to the 88 Member States that have met their financial obligations to the international tribunals in full and urges other Member States to follow their example.

18. The final financial position of the international tribunals will obviously depend on the payment of assessed contributions by Member States during the remainder of 2010. The breakdown of unpaid assessed contributions for the international tribunals also shows a high degree of concentration, with one Member State accounting for 68 per cent of the total, three other Member States accounting for 16 per cent, and the remaining Member States accounting for 16 per cent. Much, therefore, will depend on the action taken by those Member States.

19. If recent trends continue, the international tribunals should end the year with positive cash balances. Once again, however, the actual outcome will depend on Member States meeting their financial obligations to the international tribunals in a full and timely fashion.

D. Capital master plan

20. The total budget for the capital master plan project of $1.88 billion was approved by the General Assembly in its resolution 61/251.

21. In accordance with General Assembly resolution 61/251, 180 Member States are under the multi-year payment system and 12 have opted for a one-time payment. As at 5 October 2010, 113 Member States had paid in full their capital master plan assessed contributions, and payments totalling $1.4 billion had been made against assessments due and payable, with $84 million outstanding. In addition, a number of Member States that did not opt for a one-time payment have nevertheless made advance payments. As at 5 October 2010, payments to the working capital reserve totalled $44.9 million.

22. In order to ensure the timely execution of the project, all Member States are urged to pay their assessed contributions to the capital master plan in full and on time.

III. Debt to Member States

23. The forecast in May 2010 was that the Organization's debt to Member States providing troops and equipment to peacekeeping operations as at 31 December 2010 would have been reduced to $525 million. Based on revised projections, it now appears that the amount outstanding at the end of 2010 will be about $430 million, which is lower than the projection made in May and also significantly below the amount of $775 million outstanding as at 31 December 2009.

24. New obligations in 2010 are above 2009 levels, owing mainly to the deployment of troops to the African Union-United Nations Hybrid Operation in Darfur and deployment of additional military contingent and formed police units to the United Nations Stabilization Mission in Haiti, partly offset by the reduction in the deployed military strength of the United Nations Interim Force in Lebanon and UNMIL. However, for all active missions, payment of troop obligations was broadly current up to August 2010, and up to June 2010 for contingent-owned equipment, a considerable improvement from the situation of one year ago. Further, the cash-flow situation of peacekeeping operations will continue to be monitored constantly, with a view to maximizing quarterly payments based on the cash that is available.

25. The Secretary-General is committed to meeting the Organization's obligations to Member States providing troops and equipment to peacekeeping operations as expeditiously as possible. The extent to which he can do this, however, will continue to depend on the degree to which Member States meet their financial obligations to the United Nations in full and on time and on the finalization of memorandums of understanding with troop contributors for the provision of equipment.

IV. Conclusions

26. The Secretary-General wishes to pay special tribute to the following Member States that had paid in full all assessments for the regular budget, the international tribunals, the peacekeeping operations and the capital master plan that were due and payable as at 11 October 2010, namely: Australia, Azerbaijan, Canada, the Democratic Republic of the Congo, Denmark, Germany, Liechtenstein, the Netherlands, Singapore, South Africa, Switzerland and the United Republic of Tanzania. Since 11 October 2010, Monaco has also paid in full its due and payable assessments. Other Member States are urged to follow the example of those States.

27. The financial indicators for 2010 are mixed, with improvement in some areas. Cash positions are projected to be positive at year's end for all funds, although the final outcome will depend on last-quarter contributions. The level of debt to Member States is projected to decrease significantly, to $430 million at the end of 2010, compared with the level of $775 million at the end of 2009.

28. Unpaid assessments reflect decreased levels compared with one year ago for all categories except peacekeeping operations. However, in the case of peacekeeping operations, the increase in unpaid assessments is directly related to the higher level of assessments in 2010, as assessments for the last half of the 2009/10 peacekeeping fiscal year could be issued only at the start of 2010 after the General Assembly's decision on new rates of assessment.

29. Despite some improvement in the level of unpaid assessments, amounts outstanding continue to be highly concentrated among a few Member States for most categories. For peacekeeping operations, there has been some gradual reduction in the degree of concentration over recent years.

30. In order to maintain the financial health of the Organization, it remains as critical as ever for Member States to meet their financial obligations to the United Nations in full and on time.